

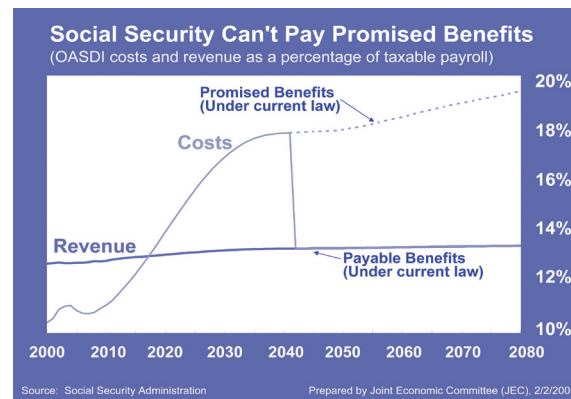
## SOCIAL SECURITY FACTS & FIGURES

- Social Security is a pay-as-you go system, which means that the payroll taxes paid by current workers are used to pay the benefits for current retirees. A worker's payroll taxes are not saved in an account to pay his or her retirement benefits.
  - In 1945, there were 42 workers supporting each retiree.
  - In 1950, there were 17 workers supporting each retiree.
  - Today, there are 3 workers supporting each retiree.
  - By the time today's younger workers retire, there will only be 2 workers supporting each retiree
- The average life expectancy has increased from 63 in 1935 to 77 today.
- In 1935, when the Social Security Act was enacted, payroll taxes were only 2% on the first \$3,000 of income.
- Today, payroll taxes are 12.4% on the first \$90,000 of income.



- The Social Security Trustees estimate that
  - In 2008: Baby boomers begin to become eligible to retire and the Social Security Trust Fund balance begins its permanent decline.
  - In 2018: Benefits paid out to retirees exceed taxes coming in.
  - In 2042: The Social Security Trust Fund is bankrupt. Under current law, benefits must be cut.

Even if President Bush were to sign the necessary reforms into law this year, whatever they may be, it would most likely take at least a few years to implement. The time to act is now.



Prepared by the Senate Republican Conference  
Rick Santorum, Chairman Kay Bailey Hutchison, Vice Chairman

## WHY ACT NOW TO FIX SOCIAL SECURITY?

- While Social Security will not change for Americans 55 and older, it does not have the resources necessary to maintain promised benefits to younger workers.
- The United States is facing a significant demographic challenge - people are living longer and having fewer children.
- With each passing year, there are fewer workers paying ever-higher benefits to an ever-larger number of retirees.
- Beginning in only 3 years, the Baby Boom generation will begin collecting Social Security benefits, marking the start of a dramatic acceleration of the program's costs.
- Nearly three decades from now, there will be almost twice as many older Americans as today - from 37 million today to 71 million.
- If we do not act now to save and strengthen Social Security, the only solution will be drastically higher taxes, massive new borrowing, or sudden and severe cuts in Social Security benefits or other government programs.

*Based on data from the Social Security Administration and the White House's "Strengthening Social Security for the 21st Century" policy book.*

## WHAT IS A VOLUNTARY PERSONAL RETIREMENT ACCOUNT?

- A personal retirement account gives younger workers the chance to save a portion of their money in an account and watch it grow over time at a greater rate than anything the current system can deliver.
- Personal retirement accounts belong entirely to the worker. You, not the government, get every single penny of your retirement account - and it can be passed on to your children.
- Under the President's plan, a personal retirement account would start gradually.
- Yearly contribution limits would be raised over time, eventually permitting all workers to set aside 4 percentage points of their payroll taxes in their accounts.
- Annual contributions to personal retirement accounts initially would be capped, at \$1,000 per year in 2009. The cap would rise gradually over time, growing \$100 per year, plus growth in average wages.
- If a worker puts all of his account into safe government securities, he can expect an average 3% real rate of return (the break-even rate).
- In addition, the worker will own all the funds in the account. Even if the worker were only to break even financially, he would be better off because of his ownership rights.

*Based on the White House's "Strengthening Social Security for the 21st Century" policy book. Prepared by the Senate Republican Conference.*

## WILL REFORMING THE CURRENT SOCIAL SECURITY SYSTEM AFFECT YOU?

- If you are 55 and older (born before 1950), nothing will change, and nobody is going to take away or change your check.
- Your benefits are secure and will not change in any way.

### WHAT WILL HAPPEN TO YOUR BENEFITS IF NOTHING IS DONE TO FIX THE CURRENT SYSTEM?

- Social Security cannot pay your promised benefits.
- Just thirteen years from now, in 2018, Social Security will be paying out more than it takes in and every year afterward will bring a new shortfall, bigger than the year before.
- By 2042, the system will no longer be able to pay scheduled benefits.

What Doing Nothing Will Mean for Social Security				
Year of Birth	Age in 2043	Benefit Reduction in 2043	Year Age 65	Benefit Reduction at Age 65
1960	83	-27%	2025	n/a
1970	73	-27%	2035	n/a
1980	63	n/a	2045	-27%
1990	53	n/a	2055	-28%
2000	43	n/a	2065	-31%

## SAVE AND STRENGTHEN SOCIAL SECURITY

*"The days of delaying, dividing, and demagoguing are over... this generation and this President will save Social Security..."*

*President George W. Bush,  
State of the Union Address,  
February 2, 2005*

*"First, and above all, we must save Social Security for the 21st Century."*

*President Bill Clinton,  
1999 State of the Union Address*

While Social Security is secure and will not change in any way for those Americans 55 and older, it does not have the resources necessary to maintain promised benefits to younger workers.

As part of a variety of solutions to fix Social Security permanently, younger workers should be allowed to invest a portion of their earnings in voluntary personal retirement accounts.

Reform is a bipartisan issue. Social Security cannot be fixed with minor alterations. Social Security is a valuable, successful program from which our country's retired citizens benefit. However, unless Congress fulfills its duty and obligation to protect its solvency, it will not be around for my children's or grandchildren's retirement – or yours.

*Courtesy of U.S. Senator Wayne Allard*